

**CASE**

**NUMBER:**

99 . 121

INDEX FOR CASE: 99-121  
LOUISVILLE GAS AND ELECTRIC COMPANY  
Tariffs

KY. PUBLIC SERVICE COMMISSION  
AS OF : 04/02/99

PAGE 1

CHANGE IN THE RECOVERY OF DEMAND-SIDE MANAGEMENT REVENUES

IN THE MATTER OF THE APPLICATION OF LOUISVILLE GAS AND  
ELECTRIC COMPANY FOR CHANGES TO THE RECOVERY OF DEMAND-SIDE  
MANAGEMENT REVENUES FROM LOST SALES COMPONENT OF ITS DEMAND-  
SIDE MANAGEMENT COST RECOVERY MECHANISM FOR RESIDENTIAL  
ELECTRIC CUSTOMERS

SEQ NBR	ENTRY DATE	REMARKS
0002	03/29/99	Application
0001	04/01/99	Final Order approving rate reduction effective 4/5/99.



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY. 40602  
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-121  
LOUISVILLE GAS AND ELECTRIC COMPANY

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on April 1, 1999.

Parties of Record:

Ronald Willhite  
Vice President Regulatory Affairs  
Louisville Gas and Electric Company  
220 W. Main Street  
P. O. Box 32010  
Louisville, KY. 40232 2010

  
\_\_\_\_\_  
Secretary of the Commission

SB/hv  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR )  
CHANGES TO THE RECOVERY OF )  
DEMAND-SIDE MANAGEMENT )  
REVENUES FROM LOST SALES ) CASE NO. 99-121  
COMPONENT OF ITS DEMAND-SIDE )  
MANAGEMENT COST RECOVERY )  
MECHANISM FOR RESIDENTIAL )  
ELECTRIC CUSTOMERS )

O R D E R

On March 29, 1999, Louisville Gas and Electric Company ("LG&E") filed a tariff to change the Recovery of Demand-Side Management Revenues from Lost Sales ("DRLS") component of its Demand-Side Management Cost Recovery Mechanism ("DSMRM") for its residential electric customers. The change proposed by LG&E reflected a significant decrease in the DRLS component, from \$0.00284 per Kwh to \$.00093 per Kwh.<sup>1</sup>

LG&E proposes that its rate change be effective on April 5, 1999. Although KRS 278.180(1) requires changes in rates to be made upon 30 days' notice, KRS 278.180(2)

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<sup>1</sup> This decrease occurred due to the cumulative effect of the Commission's decisions in two prior LG&E DSM cases: Case No. 93-150, A Joint Application of Demand-Side Management Programs, a DSM Cost Recovery Mechanism, and a Continuing Collaborative Process on DSM for Louisville Gas and Electric Company; and Case No. 97-083, The Joint Application of the Members of the Louisville Gas and Electric Company Demand-Side Management Collaborative for the Review, Modification, and the Continuation of the Collaborative, DSM Programs, and Cost Recovery Mechanism.

authorizes the Commission to prescribe a shorter period of time when the change is a decrease.

Based on a review of the tariff, the supporting schedules which show the calculation of the reduced DLRS component, and the applicable statutes cited by LG&E, the Commission finds that the proposed rate decrease is reasonable and should be approved with an effective date of April 5, 1999.

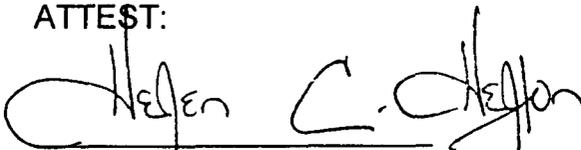
IT IS THEREFORE ORDERED that:

1. LG&E's reduction in the DLRS component of its DSMRC for residential electric customers is approved.
2. The effective date of the rate reduction approved herein shall be April 5, 1999.
3. Within 10 days of the date of this Order, LG&E shall file a revised DSMRM tariff for its residential electric customers which shows the date of issuance and shows that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 1st day of April, 1999.

By the Commission

ATTEST:



Executive Director

T60-358



Ronald L. (Ron) Willhite  
Vice President - Regulatory Affairs

RECEIVED

MAR 29 1999

PUBLIC SERVICE  
COMMISSION

LG&E Energy Corp.  
220 West Main Street  
P.O. Box 32030  
Louisville, Kentucky 40232  
502-627-2044  
502-627-2585 FAX

March 29, 1999

Helen Helton  
Executive Director  
Kentucky Public Service Commission  
730 Schenkel Lane  
Frankfort, Kentucky 40602

**Re: Demand-Side Management Revenues from Lost Sales (DRLS) component of Demand-Side Management Cost Recovery Mechanism (DSMRM) for Residential Customers**

Dear Ms. Helton:

Pursuant to the Demand-Side Management Cost Recovery Mechanism (Rate DSMRM), originally approved in the Commission's Order in Case No. 93-150 dated November 12, 1993 and further revised and approved by the Commission's Order in Case No. 10320 dated February 1, 1996, enclosed are four copies of the following sheets of our electric and gas tariffs:

Electric Tariff PSC of KY No. 4:  
10<sup>th</sup> Revised Sheet No. 23-G canceling 9<sup>th</sup> Revised Sheet No. 23-G

Gas Tariff PSC of KY No.4:  
3<sup>rd</sup> Revised Sheet No. 11-E canceling 2<sup>nd</sup> Revised Sheet No. 11-E

This filing sets forth the customary annual changes in the DRLS component as prescribed under the DSMRM Rate Schedule.

Effective June 1, 1998, LG&E ceased booking DSM Revenues from Lost Sales (DRLS) for both Residential Rate R and Residential Rate RGS. Pursuant to Schedule DSMRM, the rate components are reviewed following each twelve-month period and differences are reflected prospectively in an upcoming period for billing.

The DRLS under-recovery amount to be collected from electric residential customers has decreased from \$10.03 million to \$3.29 million. The under-recovery amount to be collected from gas residential customers has increased from \$4.15 million to \$5.03 million. The net effect to our residential customers is a decrease in collections from \$14.18 million to \$8.31 million.

In order to provide our customers the immediate benefit of this decrease, LG&E seeks an effective date of April 5, 1999 for these revised tariff sheets and, therefore, pursuant to KRS 278.180(2), requests waiver of the thirty (30) days' notice requirement per KRS 278.180(1) and the requirements of Rate Schedule DSMRM. LG&E will make subsequent filings with the Commission upon the availability of data and completion of analysis to adjust the remaining components of rate DSMRM.

LG&E is also submitting herewith the detailed supporting documents which illustrate the calculation of the residential electric and gas DRLS components.

Please acknowledge this filing by returning a stamped copy of the proposed tariffs.

Very truly yours,

*Ronald L. Willhite*

Ronald L. Willhite  
Vice President

**LOUISVILLE GAS & ELECTRIC COMPANY**  
**Summary of Total DSM Cost Recovery Component (DSMRC)**  
**Effective April 5, 1999**

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AE	DSM Revenues from Lost Sales Component (DRLS) Exhibit BE	DSM Incentive Component (DSMI) Exhibit CE	DSM Balance Adjustment Component (DBA) Exhibit DE	DSM Recovery Component (DSMRC) Total
Residential Rate R <sup>2</sup>	0.016	0.093	0.000	-0.010	0.099 cents/kWh
General Service Rate GS	0.026	0.011	0.005	-0.008	0.034 cents/kWh
Large Commercial Rate LC	0.011	0.003	0.002	-0.003	0.013 cents/kWh
Large Commercial Time-of-Day Rate LC-TOD	0.021	0.006	0.004	-0.007	0.024 cents/kWh
Industrial Power Rate LP <sup>1</sup>	0.000	0.000	0.000	0.000	0.000 cents/kWh
Industrial Power Time-of-Day Rate LP-TOD <sup>1</sup>	0.000	0.000	0.000	0.000	0.000 cents/kWh

<sup>1</sup> Industrial customers have elected not to participate in a DSM program at this time.

<sup>2</sup> For this filing dated March 29, 1999, the only component of the DSMRC that will change is the DRLS for the Residential Customers.

**LOUISVILLE GAS & ELECTRIC COMPANY**  
**Summary of DSM Revenues from Lost Sales Component (DRLS)**  
**to be billed April, 1999 through March, 2000**

Rate Schedule	Exhibit Reference	DSM Revenues from Lost Sales Total Amount	Estimated Billing Determinants	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate R	BE-1	\$ 3,285,142	3,539,840,000 kWh	0.093 ¢/kWh
General Service Rate GS	BE-2	\$ -	1,161,213,000 kWh	0.000 ¢/kWh
Large Commercial Rate LC	BE-3			
Energy-Related Component		\$ -	1,948,505,000 kWh	0.000 ¢/kWh
Demand-Related Component		\$ -	5,034,757 kW-Mo	0.00 \$/kW-Mo
Large Commercial Rate LC-TOD	BE-4			
Energy-Related Component		\$ -	568,313,000 kWh	0.000 ¢/kWh
Demand-Related Component		\$ -	2,517,153 kW-Mo	0.00 \$/kW-Mo
Industrial Power Rate LP	BE-5			
Energy-Related Component		\$ -	N/A kWh	0.000 ¢/kWh
Demand-Related Component		\$ -	N/A kW-Mo	0.00 \$/kW-Mo
Industrial Power Rate LP-TOD	BE-6			
Energy-Related Component		\$ -	N/A kWh	0.000 ¢/kWh
Demand-Related Component		\$ -	N/A kW-Mo	0.00 \$/kW-Mo
Total DRLS Amount		\$ 3,285,142		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)  
For Residential Rate R  
To be collected April, 1999 through March, 2000

The Demand-Side Management Cost Recovery Mechanism (DSMRM) includes a provision for the recovery of lost sales. Revenues from lost sales are recovered from the decoupling of revenues from actual sales. The DSM Revenues from Lost Sales (DRLS) factor computed herein is based on the actual non-variable revenue collected during the period January - May, 1998.

Decoupling of residential revenues from actual sales is achieved by subtracting the actual (January through May, 1998) non-variable revenue from the adjusted, non-fuel test year revenue requirement approved in LG&E's Case No. 90-158, as adjusted to reflect only the months of January - May of the test year. This difference represents a condition of either over-recovery or under-recovery of revenue, as allowed by the DSMRM Schedule. The non-fuel test year revenue requirement, along with the average number of customers for the current year, serves as a base from which adjustments are made in order to reflect the growth (a) due to new customers and (b) in customer (per capita) usage, which has actually occurred since the test year.

Adjustment of Test Year Revenue Requirement

The adjustment of the test year revenue requirement is shown on Pages 2 and 4 of Exhibit BE-1. The base or test year revenue per customer (page 2, line 3) is first multiplied by the average number of customers from January - May, 1998 (page 2, line 4) to calculate the revenue growth due to the addition of new residential customers from the end of the test year (April 1990) to May 31, 1998. The growth due to the increase in usage per customer is determined from a growth factor of 0.0131 which was established in LG&E's original DSMRM filing dated April 21, 1993. This growth factor is compounded annually over a period of 97 months (the amount of time that has elapsed since the last rate case through May, 1998) and is multiplied by the total revenue due to growth in customers, as computed above. The adjusted revenue requirement is indicated on page 2, line 7.

Calculation of Actual Non-Variable Revenue

The determination of the actual non-variable revenue for January through May, 1998 is shown on Page 3 of Exhibit BE-1. The actual non-variable revenue is calculated by subtracting ECR surcharge revenues, Trimble County Credit revenues, base and FCA fuel costs, reactant costs, and DSM Cost Recovery revenues from the total January - May, 1998 residential revenue. This difference is brought forward to page 2, line 8 of Exhibit BE-1.

Results of Decoupling

The outcome of the DRLS decoupling mechanism, based on January through May, 1998 actuals, is displayed on page 2 of Exhibit BE-1. The difference between the Adjusted Revenue Requirement (Line 7) and the Actual Non-Variable Revenue (Line 8) results in an under-recovery in the amount of \$3,285,142. Based on the estimated billing determinants for the 12-month period beginning April 1, 1999, the DRLS component for Residential Rate R is calculated to be 0.093 ¢ per kWh.

**LOUISVILLE GAS & ELECTRIC COMPANY**  
**Decoupling of Residential Revenues From Actual Sales**  
**to be collected April, 1999 through March, 2000**

Residential Electric Per-Customer Decoupling Mechanism

(1) Non-Fuel Revenue Requirement from Attachment 3, Page 2 of 4 of LG&E's Original Filing Dated April 21, 1993 adjusted to reflect only January-May of the test year (see BE-1, page 4 of 4)	\$45,016,581
(2) Average customers January - May of test year (see BE-1, page 4 of 4) (test year: 12 months-ended April 30, 1990)	284,520
(3) Test Year Revenue per Customer [(Line 1) + (Line 2)]	\$158.22
(4) Average # Customers - January 1, 1998 through May 31, 1998	314,634
(5) Months Since Last Rate Case	97
(6) Growth Factor [1.0131 ^ (Line 5 + 12)]	1.110937
(7) Adjusted Revenue Requirement [(Line 3) x (Line 4) x (Line 6)]	\$55,303,869
(8) Actual Non-Variable Revenue (see BE-1, page 3 of 4)	\$ 52,018,727
(9) (Over-) or Under-Recovery (Line 7 - Line 8)	\$3,285,142
(10) Estimated Billing Determinants	3,539,840,000 kWh
(11) DSM Revenue from Lost Sales Component (Line 9 + Line 10)	0.093 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY  
Calculation of Non-Variable Revenue  
January - May, 1998

1998	Residential Customers	Residential Total Revenue	ECR Surcharge		Total Revenue Less ECR Surcharges
			Factor	Revenue	
JAN	313,992	\$ 14,924,351	1.0117%	\$ 149,477	\$ 14,774,873
FEB	313,813	\$ 13,636,276	1.0470%	\$ 141,292	\$ 13,494,983
MAR	314,209	\$ 13,279,378	1.1430%	\$ 150,068	\$ 13,129,310
APR	314,861	\$ 12,424,455	1.1410%	\$ 140,164	\$ 12,284,292
MAY	316,293	\$ 13,382,639	1.0684%	\$ 141,469	\$ 13,241,170
Total	314,634	\$ 67,647,099		\$ 722,470	\$ 66,924,629

1998	Total kWh Sales	Fuel (Embedded & Adjustment)		DSM Cost Recovery		Trimble Co. Credit	
		Factor	Revenue	Factor	Revenue	Factor	Revenue
JAN	282,537,486	0.00955	\$ 2,698,233	\$0.00072	\$ 203,427	(\$0.00039)	\$ (110,190)
FEB	251,772,531	0.00991	\$ 2,495,066	\$0.00072	\$ 181,276	(\$0.00039)	\$ (98,191)
MAR	236,975,264	0.01112	\$ 2,635,165	\$0.00072	\$ 170,622	(\$0.00039)	\$ (92,420)
APR	208,738,199	0.01089	\$ 2,273,159	\$0.00289	\$ 603,253	(\$0.00039)	\$ (81,408)
MAY	228,952,244	0.01071	\$ 2,452,079	\$0.00289	\$ 661,672	(\$0.00039)	\$ (89,291)
Total	1,208,975,724		\$ 12,553,701		\$ 1,820,251		\$ (471,501)

Total Revenue Less ECR, Fuel, DSM Charges, & Trimble Co. Credit	\$ 53,022,177
Less Reactant (\$0.00083 x kWh)	\$ 1,003,450
<b>Actual Non-Variable Revenue</b>	<b>\$ 52,018,727</b>

**LOUISVILLE GAS AND ELECTRIC COMPANY**  
**Calculation of Residential Electric Revenue Requirement Under Decoupling**  
 (For January - May of Test Year)

Line No.	Customers (1)	Kwh First 600 (2)	Kwh > 600 Kwh (3)	Customer Charge (4)	Rate First 600 (5)	Rate >600 Kwh (6)	Revenue Requirement (7)	Base Fuel Case No. 90-364 (8)	Fuel Revenue (9)	Non-Fuel Revenue (10)	\$ 0.00083 Reactant (11)	Non-Variable Revenue (12)
Jan-90	284,068	136,202,285	131,772,213	\$ 3.29	\$ 0.05811	\$ 0.04488	\$ 14,763,235	\$ 0.01319	\$3,534,584	\$11,228,652	\$ 222,419	\$ 11,006,233
Feb-90	285,411	128,760,485	77,804,356	\$ 3.29	\$ 0.05811	\$ 0.04488	\$ 11,913,133	\$ 0.01319	\$2,724,590	\$ 9,188,543	\$ 171,449	\$ 9,017,094
Mar-90	284,687	127,807,337	71,076,131	\$ 3.29	\$ 0.05811	\$ 0.04488	\$ 11,553,401	\$ 0.01319	\$2,623,273	\$ 8,930,128	\$ 165,073	\$ 8,765,055
Apr-90	285,612	126,117,741	59,512,192	\$ 3.29	\$ 0.05811	\$ 0.04488	\$ 10,939,273	\$ 0.01319	\$2,448,459	\$ 8,490,814	\$ 154,073	\$ 8,336,741
May-89	<u>282,820</u>	<u>124,086,865</u>	<u>48,282,227</u>	\$ 3.29	\$ 0.05811	\$ 0.04488	\$ 10,308,072	\$ 0.01319	\$2,273,548	\$ 8,034,524	\$ 143,066	\$ 7,891,457
Total/Avg	284,520						\$ 59,477,115					\$ 45,016,581

DSMRM

Demand-Side Management Cost Recovery Mechanism (continued)

Applicable to:

Residential Rate R, General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD.

DSM Cost Recovery Component (DSMRC):

Residential Rate R

Energy Charge

DSM Cost Recovery Component (DCR):	0.016 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.093 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.010) ¢/Kwh
 DSMRC Rate R:	 0.099 ¢/Kwh

R

General Service Rate GS

DSM Cost Recovery Component (DCR):	0.026 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.011 ¢/Kwh
DSM Incentive (DSMI):	0.005 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.008) ¢/Kwh
 DSMRC Rate GS:	 0.034 ¢/Kwh

DATE OF ISSUE March 29 1999

DATE EFFECTIVE April 5, 1999

ISSUED BY

*Ronald L. Willhite*  
Ronald L. Willhite

Vice President

Louisville, KY

NAME

TITLE

ADDRESS

Issued pursuant to an Order of the PSC of KY in Case No. 97-083 dated 4/27/98.